



# HEALTH CARE FINANCING REFORM IN ETHIOPIA: A PATH TO SUSTAINABLE FINANCING WHILE IMPROVING QUALITY AND EQUITY



*Diagnostic equipment procured using health facility retained revenue*

## Health Care Financing Reform Goals

- Identify and obtain resources that can be dedicated to preventive, curative, and rehabilitative health services
- Increase absolute resources to the health sector
- Increase efficiency in the use of available resources
- Promote sustainability of health care financing and improve the quality and coverage of health services

## WHY HEALTH CARE FINANCING REFORM IN ETHIOPIA?

In the early 1990s, Ethiopia was recovering from a prolonged civil war. The health infrastructure had seriously deteriorated, and health service delivery was inefficient and inequitable. The shortage of medicines, deficiency of water and electricity supply to health facilities, leakage of medicines, and corrupt practices due to the absence of a functional governance structure resulted in health service delivery that was generally of poor quality. The overall country budget was limited, resulting in inadequate financing of health care. Health institutions were required to channel income to the central treasury and received operational funding in the form of a government budget. As a result, despite a tradition of payment for health services, many health institutions faced a shortfall in budget. In order to tackle these challenges, the government launched a pro-poor health policy and embarked on health care financing reform in 1998.

## THE REFORMS

The health care financing reform strategy, recognizing that health care should be financed through multiple mechanisms to ensure long-range sustainability, underscored the importance of promoting cost-sharing in the provision of health services. The reforms included nine different interventions.

- Revenue retention and utilization at health facility level
- Systematizing a fee-waiver system
- Standardizing exemption services
- Outsourcing of nonclinical services in public hospitals
- Setting and revising user fees
- Initiating health insurance schemes
- Establishing private wings in public hospitals
- Establishing health facility autonomy through the introduction of a governance system

## IMPACT OF REFORMS ON HEALTH SERVICE DELIVERY

The reform allowed health facilities to retain and use their revenue for health service quality improvements. Hospitals and health centers in the three big regions started to retain revenue in 2005-2006, and now it is being rolled out to all regions as a national program. As a result of revenue retention, health facility budgets have improved significantly. In 2011, the revenue retained accounted for an average of 36.3 percent of the total health budget in 146 health centers.

The increase in revenue at the health facility level has enhanced the quality and availability of services.

- Greater availability of essential medicines
- Increased procurement and maintenance of essential diagnostic and health services delivery equipment
- Improved health facility infrastructure
- Increased water and electricity supply in health facilities



*Amelel Yeheyes, a beneficiary of the fee waiver scheme implemented at Addis Zemen Health Center, can now access health services for herself and her grandchildren.*

Improved quality of health care has in turn improved citizens' perceptions of health services, improved the performance and satisfaction of health professionals, and enhanced the overall functioning and performance of the health system. The implementation of the new fee waiver system, which targets underserved populations, protects the poor and promotes equity within the system. The standardization and promotion of exemption schemes extends the reach of key preventive and health promotive programs which reduce disease burden. Other important achievements of the reforms include: improved health facility governance, increased outsourcing of nonclinical services in public hospitals, improved capacity in financial management, and increased utilization of health care through the piloting of health insurance schemes.

## LESSONS LEARNED

Health care financing reforms have positively transformed the health sector in Ethiopia. The following components have been critical to their success.

- Government ownership and commitment
- Relatively long-term technical assistance
- Appropriate timing of initiation and implementation of the reform
- Partnering with major stakeholders
- Timely generation and dissemination of relevant health financing evidence
- Capacity building and experience sharing

Although much remains to be done and progress varies from region to region, implementation of the new fee waiver system and standardization of the exemption system are enhancing health service equity and the use of public health services.

### Information was excerpted from:

Zeleeuw, Hailu (2012) Health Care Financing Reform in Ethiopia: Improving Quality and Equity. Health Systems 20/20, Abt Associates Inc., USAID.

<http://www.healthsystems2020.org/content/resource/detail/85865/>